



**ARIZONA STATE SENATE**  
*Fifty-Sixth Legislature, Second Regular Session*

**AMENDED**  
FACT SHEET FOR S.B. 1737

capital outlay; appropriations; 2024-2025.

Purpose

Makes session law changes relating to capital outlay necessary to implement the FY 2025 state budget.

Background

The Arizona Constitution prohibits substantive law from being included in the general appropriations, capital outlay appropriations and supplemental appropriations bills. However, it is often necessary to make statutory and session law changes to effectuate the budget. Thus, separate bills called budget reconciliation bills (BRBs) are introduced to enact these provisions. Because BRBs contain substantive law changes, the Arizona Constitution provides that they become effective on the general effective date, unless an emergency clause is enacted.

S.B. 1737 contains the budget reconciliation provisions for changes relating to capital outlay.

Provisions

***Building Renewal***

1. Appropriates the following amounts in FY 2025 to the following state agencies from the specified funds for major maintenance and repair activities for state buildings:

<b>Agency</b>	<b>Fund Source</b>	<b>Amount</b>	<b>% of Formula</b>
Arizona Department of Administration (ADOA)	Capital Outlay Stabilization Fund (COSF)	\$19,000,000	100%
Arizona Department of Corrections, Rehabilitation and Reentry (ADCRR)	ADCRR Building Renewal Fund	\$5,864,300	68.53%
	Prison Construction and Operations Fund	\$2,692,700	31.47%
Arizona Department of Transportation (ADOT)	State Highway Fund (SHF)	\$22,082,800	98.03%
	State Aviation Fund	\$457,300	1.97%
Arizona Game and Fish Department (AZGFD)	AZGFD Fund	\$1,795,000	100%

Agency	Fund Source	Amount	% of Formula
Arizona State Lottery Commission	State Lottery Fund	\$218,200	100%

2. Requires ADOA to allocate appropriated monies to state agencies for necessary building renewal.
3. Reduces the ADOA appropriation for building renewal by the difference between the appropriated monies and the balance in the COSF, if monies in the COSF are insufficient to fund the \$19,000,000 appropriation.
4. Allows ADOA to use monies appropriated for building renewal in FY 2025 to retrofit facilities for space consolidation initiatives.
5. Prohibits ADCRR from spending any of the appropriations for building renewal in FY 2025 on personal services or overhead expenses related to managing projects funded by the appropriation.

***Individual Projects***

6. Appropriates the following amounts in FY 2025 to the following state agencies and boards from the specified funds for individual capital projects:

Agency	Purpose	Fund	Amount
ADOT	Additional vehicle fueling replacement funding for facilities in Flagstaff, Needle Mountain, Kingman, Tucson, Willcox, Three Points, Saint David, Springerville, Holbrook and Chambers	SHF	\$9,088,200
Arizona Pioneers’ Home	Capital improvements	Miners' Hospital for Miners with Disabilities Land Fund	\$465,000
Arizona State Parks Board (ASPB)	Capital improvements	State Parks Revenue Fund	\$3,022,000

7. Requires the ASPB to report to the Joint Committee on Capital Review (JCCR) and the Governor's Office of Strategic Planning and Budgeting (OSPB) if the ASPB revises the plan for any project funded by the appropriation because the ASPB receives land and water conservation grant funding.
8. Exempts, from lapsing until June 30, 2025, the \$1,800,000 appropriation to ADOT in FY 2022 to replace vehicle fueling facilities in Flagstaff, Holbrook and Kingman.

***ADOT Airport Planning and Development***

9. Appropriates \$25,550,000 from the State Aviation Fund in FY 2025 to ADOT to plan, construct, develop and improve state, county, city or town airports, as determined by the State Transportation Board.
10. Exempts the \$25,550,000 appropriation from JCCR review.
11. Appropriates any balances and collections in the State Aviation Fund that exceed the amount appropriated by the General Appropriations Act and Capital Outlay Budget Reconciliation Act to ADOT in FY 2025 for authorized purposes.
12. Requires ADOT, by December 31, 2024, to report to the Joint Legislative Budget Committee (JLBC) Staff on the status of all aviation grant awards and distributions.
13. Requires the report on aviation grants to delineate projects by individual airport and fiscal year, including any future year commitments.

***ADOT Statewide Highway Construction***

14. Appropriates \$462,488,000 in FY 2025 from the SHF to ADOT to:
  - a) plan and construct state highways;
  - b) acquire rights-of-way; and
  - c) provide for the cost of contracted field administration and engineering on construction projects and debt service payments on bonds issued for highway construction.
15. Includes, as state highways ADOT may use the appropriation for, the national system of interstate highways within Arizona, the state and county primary or secondary systems and urban rural routes.
16. Exempts the \$462,488,000 appropriation from review by the JCCR.
17. Requires the \$87,500,000 appropriation from the state GF in FY 2024 to ADOT to extend State Route (SR) 24, including a traffic interchange at SR 24 and Ironwood Road, to be distributed to the Town of Queen Creek by June 30, 2024.
18. Appropriates balances and collections in the SHF that exceed the amount appropriated by the FY 2025 General Appropriations Act and the Capital Outlay Budget Reconciliation Act to ADOT for authorized purposes.
19. Requires ADOT, by November 1, 2024, to report to the Directors of JLBC and OSPB on:
  - a) ADOT's actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources;
  - b) capital outlay information for FYs 2024, 2025 and 2026; and
  - c) ADOT's estimated outstanding debt principal balance at the end of FY 2026 and the estimated debt service payment amounts for FYs 2026 through 2029.
20. Requires ADOT's highway construction expenses report to:
  - a) include fund sources from bond proceeds and appropriated, federal, local agency, state highway and regional area road monies; and

- b) be in the same format as the prior year unless the Directors of JLBC and OSPB have approved modifications.
21. Requires ADOT's reported capital outlay information to be in the same format as tables two, three and six of the FY 2024 Appropriations Report.
22. Requires ADOT's report on estimated outstanding debt principal balance and service payments to:
- include grant anticipation notes, Maricopa and Pima Associations of Governments controlled access bonds and bonds for the Highway User Revenue Fund, Maricopa Regional Area Road Fund and SHF statewide construction; and
  - be comparable to the information in the FY 2023 Appropriations Report.

***ADOT Highway Project Reallocations***

23. Reallocates the following amounts in FYs 2021, 2023 and 2024 to ADOT from the specified funds for highway projects:

<b>Purpose</b>	<b>FY</b>	<b>Fund Source</b>	<b>Amount</b>
Conduct a tier 2 study for the Sonoran Corridor in Pima County	2023	SHF	(\$2,436,000)
Construct roundabout at the intersection of SR 69 and 169	2024	SHF	\$939,100
Design of SR 87 intersection improvements at Arica and Shedd Road	2024	state GF	\$315,000
Design work and engineer improvements on SR 85 between mile post 123 and Maricopa Road	2024	SHF	\$12,600,500
Design work for the interchange at SR 303 and Interstate 17	2023	SHF	(\$4,000,000)
Final design plan, right-of-way and easements for an overpass at Riggs Road and SR 347	2024	SHF	\$1,500,000
Improve intersection on SR 347 at Casa Blanca Road and Cement Plant access	2024	state GF	\$1,901,000
Improve SR 90 near Fort Huachuca	2021	state GF	(\$2,095,000)
Improve SR 260 within Navajo County	2024	state GF	\$172,200
Improve SR 83 within Santa Cruz County	2024	SHF	\$1,00,000
Improve SR 90 from Moson Road to Campus Drive	2023	SHF	(\$3,300,000)
Improve the interchange at SR 303 and U.S. Route 60	2024	state GF	\$167,000
Rehabilitate pavement along SR 90 between Campus Drive and U.S. Border Patrol Station in Huachuca City	2023	SHF	(\$8,720,000)
Rehabilitate pavement along U.S. Route 191 between Armory Road and East Safford	2023	SHF	(\$7,038,200)

Purpose	FY	Fund Source	Amount
Repave U.S. Route 60 between Morristown and Wickenburg	2024	SHF	\$220,900
Repave U.S. Route 60 between Morristown and Wickenburg	2024	state GF	\$206,800

***Appropriation Reductions and Reappropriations***

24. Removes \$29,343,200 from the FY 2023 appropriation from SHF to ADOT to rehabilitate pavement on road projects.
25. Reduces a total of \$61,208,000 in appropriations from the state GF in FY 2023 to ADOA as follows:
  - a) from \$37,594,200 to \$24,718,400 for building renewal;
  - b) from \$1,568,000 to \$1,499,400 for building demolition; and
  - c) from \$52,274,000 to \$4,010,400 for West Adams building renovations.
26. Removes the following amounts from FY 2024 appropriations from state GF to ADOT:
  - a) \$10,00,000 to improve SR 97 near Bagdad; and
  - b) \$41,000,000 for pavement rehabilitation projects.
27. Reduces a total of \$27,539,500 in appropriations from the state GF in FY 2024 to ADOA by:
  - a) reducing the appropriation, from \$25,124,700 to \$2,585,200, for building renewal; and
  - b) removing the \$5,000,000 appropriation for electric vehicle charging and advance fuel infrastructure.
28. Reduces the following appropriations from the state GF in FY 2024 to ADCRR:
  - a) from \$33,942,600 to \$14,563,500 for building renewal; and
  - b) from \$66,783,600 to \$9,800,000 to replace evaporative cooling statewide with HVAC.
29. Appropriates \$49,000,000 from the state GF in FY 2028 to ADOT to construct an overpass at Riggs Road and SR 347 and removes the following appropriations to ADOT for the same purpose:
  - a) \$25,000,000 from the state GF in FY 2021; and
  - b) \$24,000,000 from the SHF in FY 2023.
30. Declares the Legislature's intent that the overpass at Riggs Road and SR 347 is funded in FY 2028.
31. Removes the following appropriations to ADOT to design and construct additional vehicle lanes on I-10 between SR 85 and Citrus Road:
  - a) \$52,090,000 from the state GF in FY 2024; and
  - b) \$55,910,000 from the SHF in FY 2023.
32. Appropriates a total of \$108,000,000 from the state GF to ADOT to design and construct additional vehicle lanes, separated by a lighted median, on I-10 between SR 85 and Citrus Road as follows:
  - a) \$30,000,000 in FY 2027; and
  - b) \$78,000,000 in FY 2028.

33. Defers, from FY 2024 to FY 2028, appropriating \$9,240,000 from the state GF to ADOT to distribute to Pinal County for the engineering and design of the West Pinal Parkway East-West Corridor.
34. Removes the \$25,000,000 appropriation from the state GF in FY 2022 to the Department of Veterans' Services (DVS) for a veterans' home facility project.
35. Appropriates the \$25,000,000 from the state GF in FY 2028 to the DVS to construct and establish a veterans' home facility in the northwestern portion of Arizona.
36. Stipulates that the \$25,000,000 appropriation is intended to be Arizona's share of costs and is not subject to expenditure for any purpose unless the DVS has irrevocable commitments from the U.S. government to fund at least 65 percent of the total costs.
37. Requires DVS to provide the Arizona Veterans' Service Advisory Commission with:
  - a) the proposed site location in northwestern Arizona, for approval; and
  - b) a feasibility analysis of suitable sites to consider when approving the site location.
38. Requires DVS, before spending the reappropriated monies, to submit the scope, purpose and estimated cost of the capital improvement for JCCR review.
39. Exempts the \$25,000,000 reappropriation to DVS from lapsing.
40. Reduces, from \$87,500,000 to \$59,800,000, the FY 2024 appropriation from the state General Fund to ADOT to distribute to the Town of Queen Creek to extend SR 24, including a traffic interchange at SR 24 and Ironwood Road.
41. Stipulates that:
  - a) the FY 2024 appropriation of \$59,800,000 to Queen Creek is prioritized for a traffic interchange at SR 24 and Ironwood Road; and
  - b) any remaining appropriated monies must be used to extend SR 24.
42. Transfers, by June 30, 2024, a total of \$118,300,000 from the SHF to the state GF to provide adequate support and maintenance for state agencies.
43. Transfers, by June 30, 2024, \$38,237,100 from the State Parks Revenue Fund to the state GF to provide adequate support and maintenance for state agencies.
44. Requires, by September 1, 2024, the ASPB to submit an expenditure report to JCCR that describes how monies appropriated from the State Parks Revenue Fund by the FY 2023 Capital Outlay Budget Reconciliation Act will be allocated for the prescribed capital projects after deducting the \$38,237,100.
45. Requires the Department to only spend monies on capital projects that were favorably reviewed by the JCCR before the effective date of this Capital Outlay Budget Reconciliation Act.
46. Specifies that the monies transferred from the SHF to the state GF reflect a portion of transaction privilege tax revenues that were transferred to the SHF by Laws 2022, Chapter 321.

*Miscellaneous*

47. Deems the following projects as favorably reviewed by JCCR:
  - a) \$214,200 for Arizona State Lottery Commission building renewal projects for structural repairs of the Commission's facility in Phoenix;
  - b) \$250,000 for the Arizona Pioneers' Home project to improve the cemetery parking lot;
  - c) \$63,000,000 for Arizona State University (ASU) system revenue bond issuances to implement information technology infrastructure improvements;
  - d) \$22,000,000 for ASU system revenue bond issuances to fund a utility expansion project on the Tempe campus;
  - e) \$16,375,000 for Yavapai College bond projects to finance the creation of centers for learning and innovation, capital improvement projects and software system upgrades;
  - f) \$8,704,900 for ADCRR to purchase HVAC units and electrical equipment for installation at the Eyman Prison Complex; and
  - g) \$2,600,000 for outlined AGFD capital projects to replace, realign and install underground valves, water pipelines and piping and construct an equipment storage building.
  
48. Applies the following financing provisions to the favorably reviewed projects for ASU system revenue bond issuances:
  - a) the favorable review does not constitute endorsement of state GF appropriations to offset any revenues that may be required for debt service or any operations and maintenance costs when the project is complete;
  - b) ASU must provide the final debt service schedule and interest rate for the projects to the JCCR as soon as the final debt service schedule and interest rate are available; and
  - c) by October 15 of each year until completion of the project, ASU must report to JLBC Staff on the status and expenditures of the projects, including the project expenditures to date, any changes to the planned construction timeline, the expected completion date and any change to the scope of the project.
  
49. Applies the following financing provisions to the favorably reviewed Yavapai College bond projects:
  - a) the College must provide the final debt service schedule and interest rate for the projects to the JCCR as soon as the final debt service schedule and interest rate are available; and
  - b) by July 31 of each year until completion of the project, the College must report to JLBC Staff on the status and expenditures of the projects, including the project expenditures to date, any changes to the planned construction timeline, the expected completion date and any change to the scope of the project.
  
50. Allows ADOA to spend up to five percent of all capital outlay appropriations that are distributed to state agencies by ADOA for expenditures for the project management of building renewal and capital projects.
  
51. Prohibits ADOA from spending any other capital outlay appropriations:
  - a) on personal services or employee-related expenditures; or
  - b) for maintenance contracts on building components and equipment without JCCR review.

52. Prohibits all other capital outlay appropriations from being spent for personal services or employee-related expenditures of state employees, excluding services provided as part of the Inmate Construction Program for correctional facilities.
53. Makes technical and conforming changes.
54. Becomes effective on signature of the Governor.

Amendments Adopted by Committee of the Whole

1. Removes, from the outlined FY 2025 appropriations for individual projects, \$3,771,400 from the Arizona Exposition and State Fair Fund to the Arizona Exposition and State Fair Board for capital improvements.
2. Bifurcates the reappropriation of \$108,000,000 in FY 2028 to design and construct additional vehicle lanes on the Interstate 10 between SR 85 and Citrus Road into appropriating:
  - a) \$30,000,000 in FY 2027; and
  - b) \$78,000,000 in FY 2028.
3. Defers, from FY 2024 to FY 2028, appropriating \$9,240,000 from the state GF to ADOT to distribute to Pinal County for the engineering and design of the West Pinal Parkway East-West Corridor.
4. Replaces, for the FY 2024 appropriation to improve the interchange at SR 202 and U.S. Route 60, a reduction of \$500,000 with an increase of \$167,000.
5. Reduces, from \$87,500,000 to \$59,800,000, the FY 2024 appropriation to distribute to the Town of Queen Creek to extend SR 24, as prescribed.
6. Stipulates that the FY 2024 appropriation of \$59,800,000 to Queen Creek is prioritized for the specified traffic interchange and any remaining monies must be used to extend SR 24.
7. Adds a statement of legislative intent.
8. Makes technical and conforming changes.

Senate Action

APPROP      6/13/24      DP      6-5-0

Prepared by Senate Research

June 15, 2024

KJA/slp/cs